

500
CANADA

BUDGET SPEECH

DELIVERED BY

HON. GEORGE E. FOSTER, D.C.L., M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

FRIDAY, 3RD MAY

1895



OTTAWA

PRINTED BY S. E. DAWSON

EM



3 9004 01508542 3

F5212
1875
F54

The EDITH *and* LORNE PIERCE
COLLECTION *of* CANADIANA



Queen's University at Kingston

BUDGET SPEECH

DELIVERED BY

HON. GEORGE E. FOSTER, D.C.L., M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, FRIDAY, 3RD MAY, 1895

WAYS AND MEANS—THE BUDGET.

Mr. FOSTER moved :

That the House resolve itself into Committee to consider the Ways and Means for raising the Supply to be granted to Her Majesty.

REVENUE, 1893-94.

He said : Mr. Speaker, the revenue was estimated last year when I delivered the exposition of the Budget, at \$33,500,000. The actual revenue which has accrued is \$36,374,693, being less than my estimate by \$125,307. On looking at the items of increase and decrease in the revenue for the past year, it will be found that Customs realized \$19,198,114, being a decrease over the Customs yield for the preceding year of \$1,755,889. Excise yielded \$8,381,088, being an increase over the preceding year's collection of \$13,724. From Miscellaneous there was derived \$8,795,489, a decrease of \$51,751. The total decrease as compared with the preceding year was \$1,793,915. It has been customary for a number of years to read the principal items of increase or decrease respectively, and I shall follow that practice this year. Comparing 1894 with the preceding year, it will be found that in the following lines of articles reductions in duties have taken place :—

Ale, beer and porter.....	\$ 2,654
Animals, living	12,252
Books, periodicals and other matter, N.E.S.	15,217
Brass and manufactures of.....	20,551
Grain of all kinds.....	10,735
Bricks and tiles	4,477
Carpets and squares.....	4,477
Cement	3,894

F 1½

Clocks and clock springs	\$ 4,207
Coal and coke	147,860
Copper and manufactures of	26,060
Cotton, manufactures of	156,775
Drugs, dyes, chemicals and medicines	70,261
Earthenware and china.....	13,110
Fancy goods	21,384
Flax, hemp and jute, manufactures of	48,705
Gloves and mitts.....	12,192
Gold and silver, manufactures of.	3,529
Gunpowder and other explosives.	10,625
Gutta percha and India-rubber, manufactures of	50,370
Hats, caps and bonnets	31,366
Iron and steel, manufactures of.	421,683
Lead and manufactures of.....	14,569
Leather do	58,828
Metal, composition and other....	12,594
Musical instruments	19,622
Oil, except coal, kerosene and products of	19,982
Oilcloth	12,400
Paints and colours.....	9,440
Paper and manufactures of.....	72,217
Pickles, sauces and capers of all kinds	15,277
Printing presses.....	8,365
Salt	3,920
Silk, manufactures of.....	83,188
Soap of all kinds.....	6,606
Spices do	5,774
Stone and manufactures of	2,541
Sugar, molasses	2,760
do candy and confectionery.	10,153
Tobacco	4,749
Turpentine, spirits of	3,369
Watches and parts of.....	8,091
Wood and manufactures of.....	56,550
Wool do	432,515
All other dutiable goods.....	132,472

On the other hand in the following instances we have received increased amounts over those received on the same articles in 1893 :—

Arrowroot, biscuit, rice, macaroni, &c.....	\$ 2,370
Carriages	23,723
Embroideries	\$11,340
Fish and products of.....	4,617
Fruit and nuts, dried.....	52,569

3027307

Fruit, green.....	63,347
Glass and manufactures of.....	2,380
Oils, coal, kerosene, and products of	22,537
Packages	9,852
Provisions :—butter, cheese, lard and meats.....	28,478
Seeds and roots.....	3,967
Spirits and wines.....	58,284
Sugar of all kinds.....	11,894
Tea	8,737
Vegetables	6,523

In the other chief item of taxation, Excise, there has been as already pointed out a slight increase on the receipts of 1894. It will be noticed that the decreases are pretty generally spread over the list of imported articles; the increase being principally in the articles I have named, and not nearly so extensive in their scope. Taking up the Trade Returns, there are two or three points that may be emphasized. The total imports were less than the preceding year by \$8,611,047. The dutiable imports were less by \$7,094,389. The total imports of merchandise were less.

Sir RICHARD CARTWRIGHT. Are you including coin and bullion in the total imports?

Mr. FOSTER. In the total imports, the coin and bullion are included. The total imports of merchandise—there coin and bullion are not included—was less by \$6,099,919, but the free imports show an increase over the preceding year of \$994,470. In looking for the reasons for the shrinkage or diminution in the Customs revenue, I suppose we will all agree that they may be found under three heads—namely, either reduced consumption, or shrinkage in values, or in addition and in conjunction with that the reduction of taxation which follows in ad valorem duties upon the shrink-

age in values. Now, it may have been the opinion of some that a large proportion of the fall in revenue was due to under-consumption, but if you take into account the figures that I gave as to the imports of dutiable goods and merchandise, especially, and also take into account the shrinkage in values which is known and acknowledged, I think we shall easily come to the conclusion that so far as imported goods were concerned in the year 1893-94, as to their bulk or volume there was very little less consumption of them in Canada than in the year preceding. I look, therefore, for the chief cause of diminution in the Customs revenue, as compared with the preceding year, to a shrinkage in values of imported goods, and the consequently lessened amount of duty paid upon the diminished or decreased value. That would be easily apparent. Suppose that dutiable goods to the amount of \$70,000,000 are brought in, and that there is a shrinkage of value, compared with the succeeding year, of 5 per cent; if the duties of the preceding year were 30 per cent, the same rate of duty applied to the value diminished by 5 per cent would give you a very considerable fall in the revenue to be derived. It is from this source that, I think, the largest part, by far, of the diminution of the duties from Customs has arisen. If we go to the Excise, we will find in reference to it, that there was a slight decrease in the duty upon the spirits. The following comparative statement gives the transaction in the several articles usually included under this head, the amount taken for consumption, and the duty accrued thereon as reported by the hon. Controller of Inland Revenue :—

—		Quantity.	Quantity.	Duty.	Duty.	Increase.	Decrease.
		1893.	1894.	1893.	1894.	1894.	1894.
Spirits.....	Galls.	2,747,597	2,754,607	\$4,139,306	\$4,131,387		7,919
Malt.....	Lbs.	50,082,751	51,311,206	1,001,655	950,815		50,840
Cigars.....	No.	114,668,809	115,392,857	681,628	689,184		7,556
Cigarettes.....	"	42,870,100	55,143,500	64,305	82,715		18,410
Tobacco and snuff.....	Lbs.	10,000,062	9,837,084	2,379,812	2,364,153		15,659
				\$8,266,706	\$8,218,254	25,966	74,418 48,452

The duty accrued, as will be seen, has declined somewhat, but sufficient has been received from methylated spirits to counteract this, and to give us, besides, the small increase before-mentioned of \$13,725. The diminution of \$50,840 on malt was due, of course, to the decrease in the duty on malt. Altogether, the excise shows a slight gain of \$13,725, a gain arising from the profits upon the sale of methylated spirits, a branch of industry which is carried on under the supervision of the Excise Department. It has been customary to give a table of the comparative consumption, by population, of spirits, beer, wine and tobacco. It is for this year as follows :—

	Spirits.	Beer.	Wine.	T'b'co
Average from 1867...	1·087	2·832	·137	2·154
do for 1892-93...	·740	3·485	·094	2·314
do for 1893-94...	·742	3·722	·089	2·264

The detail this year shows for 1893-94 a consumption of spirits of ·742; of beer, 3·722; of wine, ·089; and of tobacco, 2·216, showing, in spirits, a very slight increase, in beer a considerable increase, in wine a slight decrease, and in tobacco a slight decrease. If you take the per capita consumption in 1893-94 and compare it with the average of 1867, it will be found that in the case of spirits, the reduction is equal to about 31 per cent, the decrease of wines is 35 per cent, while there has been a decided increase in the per capita consumption of beer, and a slight increase, not very much, in the per capita consumption of tobacco.

Sir RICHARD CARTWRIGHT. May I ask what you call the present population of Canada, in making that per capita statement?

Mr. FOSTER. The present population would be a little over 5,000,000. I do not remember exactly the odd figures, but it is over five millions. The next source of revenue is Miscellaneous, which shows a decrease of \$51,751; but we must recollect, with reference to that, that 1892-93 showed a very large increase over the preceding year, an increase amounting to \$319,775; so that the revenue derived from miscellaneous works and investments still stands at about \$270,000 more than that of any year previous to 1892-93, during the existence of confederation; and the whole decrease of \$51,751 as compared with 1892-

93, is more than accounted for by an abnormal falling off in the revenue from fines, forfeitures and seizures. So that, taking that fact into account, miscellaneous receipts have been larger in the year 1893-94 than in the preceding year, and larger than in any previous year since 1867. Now, that fact is worth noting. As we look through the receipts, it appears that although there was a falling off in the receipts of the Fisheries Department, which, however, were larger this year than in any preceding year except 1892-93, and in the fines, forfeitures and seizures, which are variable, in casual revenue, in cullers' revenue, in gas revenue, in interest on investments, in revenue from insurance, in revenue derived from the industries in the penitentiaries, and in post office revenue, there have been increases; while in the revenue from public works, which include railways and canals, the loss was only \$58,700; and yet from this source the revenue remained the highest of all but two years since 1867, namely, the years 1889-90, and 1892-93. Now, the receipts under Miscellaneous may be denominated earnings, coming as they do from our public works, railways, post offices and investments; and they form a very good index to the state of business and the financial health of the country; and it is gratifying that in the year 1893-94, when what has been called hard times have been prevalent the world over, and Canada has had to bear a share with the rest of the world, our revenues from these sources have—if you take out the falling off from forfeitures, fines and seizures—been larger than those of the preceding year, and larger than those of any other year since confederation.

EXPENDITURE, 1893-94.

I come now to the expenditures for 1893-94. They amount to \$37,585,025, an excess over those of 1892-93 of \$770,972. This might at first glance be cited as an evidence of extravagant expenditure on the part of the Government in a year of financial stress, and a want of prudence and foresight in managing the controllable expenditures. But if we look into the items which have chiefly caused this increase, we shall find that there is another reason for it. Of this increase of \$770,972, in expenditure, \$405,-

707 is due to interest on debt, \$35,846 to sinking fund, which is a laying up against debt, and \$270,889 to subsidies to provinces, which if taken from this treasury go to help the different provincial treasuries. These items all told make a sum of \$712,442, which is within \$58,530 of the total over-expenditure of 1893-94, as compared with that of 1892-93. But there is another point bearing upon this. Previously, there were certain branches of the service which were earning, and in which the departments were in the custom of selling what they made, buying stock with the receipts, for the purpose of making again, and at the end of the year hauding over the balance on hand to the Receiver General. Two years ago it was thought well to stop that system and have appropriations made for every expenditure, and have the receipts on account deposited at once with the Receiver General. Under this head there came methylated spirits, the expenditure on which last year was \$88,654, which sum appears among the expenditures of that year, whereas in the preceding it did not appear at all. As we had a revenue for methylated spirits during the year of over \$100,000, the expenditure on this account is, of course, not an over-expenditure. The same remark applies to the sum of money which has been placed in the hands of the Department of Agriculture in the form of advances for the purchase and sale of dairy products, for which \$36,000 was appropriated last year against \$6,000 for the preceding year; so that although this sum appears among the expenditures and consequently counts as an over-expenditure in the comparative statement, it is not an over-expenditure in reality. It is simply what we may call a returning vote, which goes out and comes back again, which formerly went out and came back without an appropriation, but which last year was estimated for and became an appropriation. The same is true to a certain extent with regard to the sum of \$74,210, which was expended for binder twine, machinery and stock in the penitentiary at Kingston. That was an extraordinary outlay. Last year there was no income to set off against it; but it was a preparation for income, and up to the 31st of March this year, the sum of \$16,400 has been received on account of sales made in the penitentiary, and in the coming season

which we have just entered, it is estimated that over \$40,000 will be received from these sales. Then, there is a post office over-expenditure of \$96,058, and an over-expenditure on account of premium and exchange in connection with the debt of \$13,428; but against these are increased receipts of \$35,800 from the post office, and \$24,000 on account of premium and exchange. Summing up these remarks, the whole result is, that although there was an increase in the expenditure of 1893-94 of \$770,972, of this amount \$712,442 is statutory, for interest, sinking fund, and subsidies to provinces, and \$198,864 is extraordinary for methylated spirits, dairy advances and binder twine machinery, which had formerly not been, but which last year were, included in the Estimates, but against which the sum of \$101,000 for methylated spirits, \$36,000 for dairy products, and during the course of this year about \$56,000 for the sale of stock manufactured at the Kingston penitentiary, operates as a set-off. We find that there has been a decrease in expenditures, in charges of management, in the Fisheries Department, in Legislation, in Lighthouse and Coast Service, in Militia and Defence, Miscellaneous, Mounted Police, Pensions, Police, Railways and Canals, Superannuation, Adulteration of Food, Culling Timber, and in Dominion lands. There has been an increase in interest and Sinking Fund, which are statutory, in the Administration of Justice, which is largely statutory, in Agriculture, owing to the dairy advances, without which there would have been no increase, some increase in Civil Government, Geological Survey, Immigration, Quarantine, Indians, Mail and Steamship Subsidies, Marine Hospital, Ocean and River Service, Penitentiaries, Public Works, Subsidies to Provinces, which are statutory, Customs, Excise, Post Office and Weights, and Measures. So that the \$36,374,693 of revenue failed to meet the expenditure of \$37,585,025 by \$1,210,332, which measures the size of that unwelcome visitor, as a deficit has been called. But we must recollect this, that if there is a deficit on the year's operations of \$1,210,332, there is included in the expenditure the sum of \$2,131,360 for sinking fund, which is so much laid up against debt, so that the result, translated into the vernacular, of last year's revenue

and expenditure, is simply this, that with the revenue we met all the expenditure for the services of the country outside of capital, and laid up against the debt \$921,028. There is also another consideration that may be noted just here, namely, that although there is a deficit of \$1,210,332 we have a net surplus from 1887-88 to 1893-94 of \$7,476,843. There is also one other fact of very great significance. It is this: that in the year 1893-94 303,793,677 pounds of sugar were imported for home consumption into Canada. If the rate of duty which was charged in 1890-91 and then taken off, had been imposed on that imported sugar last year, the duty which would have accrued would have been \$1,821,205. This would have swept away the deficit and left \$3,610,873 to go against the diminution of the debt or for capital. The net result to the people of Canada is this, that while it has cost them \$38,324 as an interest burden to carry the deficit, they have saved into their pockets \$1,821,205.

EXPENDITURE FROM CAPITAL, 1893-94.

The expenditure on capital last year, 1893-94, as compared with 1892-93, was as follows:—

	1893-94.	1892-93.	Increase or Decrease.
R. R. & Canals...	\$3,612,913	\$2,782,490	+ 830,423
Public Works....	102,058	181,877	— 79,819
Dom. Lands.....	149,146	115,038	+ 34,108
	<u>\$3,864,118</u>	<u>\$3,079,406</u>	<u>+ 784,712</u>
R. R. subsidies...	1,229,885	811,394	+ 418,491
	<u>\$5,094,003</u>	<u>\$3,890,800</u>	<u>\$1,203,203</u>

Our debt on the 30th June, 1894, stands at \$246,183,029, which is established as follows:—

	Debt.
Capital expenditure, 1893-94	\$5,094,003
Charges loan management....	330,353
Deficit..	<u>1,210,332</u>
	6,634,689
Less sinking fund.....	\$2,131,360
Transferred and refunded..	<u>1,339</u>
	<u>2,132,700</u>
Addition	\$ 4,501,989
Debt, 30th June, 1894.....	<u>\$246,183,029</u>

Sir RICHARD CARTWRIGHT. It might be convenient to state here why you charge \$330,000 to management last year.

Mr. FOSTER. I will state that when I come to touch the loan, which I will do shortly.

THE PUBLIC DEBT.

The total addition to the debt is \$4,501,989. Adding that to the additions in former years, and we have from 1890 to 1894 inclusive, a total addition to the debt of \$3,652,987, which is an average of \$1,730,597 per year. But that addition to the debt is not all what would be generally taken in business matters as an addition to the debt. When you make a loan there are three courses you may pursue. You may put your loan upon the market in such a way that you may realize a premium from it. You may put it on the market so that you sell it at par, or you may put your loan upon the market below par—and this last, on almost all counts, is considered by far the preferable way. But if you put your loan upon the market below par, the amount of discount which you pay, although it is charged to capital, and has been always so charged in our books, is really only the result of what you consider to be the best means of floating your loan. You may incur it, or you may not; and it is, to all intents and purposes, an advance payment of interest, which you would not otherwise pay if you floated your loan at a larger per cent, and, therefore, had no discount. Well, of that class of expenditure on loans, there was \$330,353 for the year 1893-94; \$139,951 for 1892-93; and \$1,122,541 for the year 1891-92. And then there was a transfer for the North Shore Railway bonds, which is simply a matter of book-keeping. They gave us no revenue before though they appeared as assets, and, consequently when they were written off appeared as an addition to the debt; but, nominally, they were assets, and \$970,000 is the sum of that transfer. That makes \$2,662,845 for these objects. Taking that from the total creation of debt, 1890-4, you have a creation of debt for the public service of the country of \$6,090,142, or a yearly average of \$1,198,028. Now, the point I wish to make is this: In the first place, the average yearly addition to the debt in these five years is small, being \$1,730,597. The amount of capital expended in

widening and deepening the canals, alone, in these years, amounting to \$8,868,343, or more than the whole amount of the additions to the debt incurred between 1890 and 1894.

Total revenue for 1893-94.....	\$ 36,374,693
Revenue up to 20th April, 1894.....	29,261,171
Revenue up to 20th April, 1895.....	26,266,757
Revenue, 20th April, 1894, to 30th June, 1894	7,113,521
	33,380,278
Add anticipated betterment.....	419,722
Total actual and estimated revenue, 1894-95	33,800,000
Expected deficit	4,500,000

There are certain signs of betterment which, I think, justify me in estimating an appreciable increase of the Customs revenue during the period I have mentioned of the current fiscal year. After carefully looking over the matter, I have estimated the sum, in round numbers, at \$500,000. But, to bring the result out in round numbers, and avoid multiplication, I have put the amount down at \$419,722, which will make the total revenue for the current year, actually accruing, and estimated by me to accrue, \$33,800,000, as stated. On the other hand, I have estimated, after looking as carefully as possible into the works that are in progress—and I have been very conservative in my estimate so as not to make the mistake of under-estimating the expenditure—that there will be a reduction of \$184,113 in expenditure, as compared with last year. This makes the total actual expenditure, \$38,300,000. Subtracting one from the other by an arithmetical process for which we are all competent, we find the deficit expected for the present year, \$4,500,000. Now, it may have been noticed that the expenditure for the year up to the 20th April, of the year through which we are now passing, is greater than that of last year, by a considerable amount. I wish to read the principal items of the increase, to show that it has not been an over expenditure that was controllable. The interest on debt, accounts for \$179,203; legislation, revision of the voters' lists, \$155,566. The undertaking which we made with the Brit-

REVENUE AND EXPENDITURE, 1894-95.

I now come to the revenue and expenditure for 1894-95, the estimate of which will be most clearly exhibited in the following table :—

Total expenditure	\$ 37,585,025
Expenditure to 20th April, 1894.....	25,085,570
Expenditure to 20th April, 1895.....	25,984,658
Expenditure, 20th April, 1894, to 30th June, 1894	12,499,454
	38,484,113
Subtract anticipated less expenditure	184,113
	38,300,000

ish Government, and which we are carrying out jointly with the British Government at Esquimalt, is responsible for expenditure of \$143,356. Subsidies to provinces, \$178,957. Excise, \$64,989—in the item of methylated spirits. This makes a total of \$722,072 on these items, part of which are statutory, and, as regards the Esquimalt expenditure, a matter of agreement, and as regards the Excise, chiefly a matter of book-keeping, and the revenue accrues on the other hand, as I have stated. The increase on account of legislation is for the revision of the voters' lists.

Sir RICHARD CARTWRIGHT. How long will the Esquimalt expenditure continue?

Mr. FOSTER. I think another year will finish it, or nearly so—that is the extraordinary expenditure; after that there is maintenance of the school of marine artillery, which is jointly kept up. Now, in looking to find the reasons for the decrease in Customs revenue, we have been discussing, I find that the imports for home consumption to 1st April, 1894, were \$86,370,739, and to 1st April, 1895, they were \$78,126,608, showing a loss in the current year, compared with last year, of \$8,244,136. So that during the current year more will have to be accounted for as to the decreased revenue by lessened consumption; but yet, taking into account the great fall in prices, which the London "Economist," a very conservative and very reliable paper, esti-

mates at $7\frac{1}{2}$ per cent for the year, taking that into account, it will be seen that so far as volume or bulk is concerned, the consumption of this year has not fallen much below the consumption of the preceding year; and it is satisfactory to know that up to the date I mention, April, 1895, the exports of Canada have been greater by half a million dollars than the exports of Canada for the same period last year. The chief reason for the reduction in customs collections, then, is the one that I noticed with reference to the preceding year, the great shrinkage in value, and the reduction of duty, a reduction of duty which arises from these causes in the current year namely, the reduced duties of last year, the change to ad valorem from specific in a number of articles, the lessened duties that accrued on the lowered value from the ad valorem duty, and the greater quantity of free goods, goods that were formerly dutiable, but which were placed upon the free list, as compared with the preceding year. Against the deficit of \$4,500,000 of the current year, we have also to note the fact that I noted with reference to the deficit of the preceding year. So far as returns go up to date, and an estimate being made for the remainder of the year, the year 1894-95 will see an importation of 310,000,000 pounds of sugar for home consumption. If that sugar had been dutiable at the rate of 1890-91, the duty that would have accrued upon it would have been \$4,900,000; so that if that duty had been kept intact, and all the other reductions had been made that were made, we would still have had sufficient to prevent any deficit for the present year, and have allowed a small sum over for capital account. So that the account of the people vs. the state in this transaction is simply this, that the people will have kept in their pockets, by the removal of the duty, \$4,900,000 which they would otherwise have paid, and that the interest that will be paid for carrying the deficit is but \$142,500; that is, they will have paid for carrying the burden of the deficit \$142,500, and have saved in taxes to themselves nearly \$5,000,000. If you take capital expenditure up to the 20th April, 1895, there was expended on railways and canals, \$1,967,435; on public works, \$71,021; on Dominion lands, \$69,508; on railway subsidies, \$1,-

226,613; making in all, \$3,330,579. It is estimated that to the end of the year there will be an expenditure of \$1,669,421, which makes an estimate of the capital expenditure for the year of \$5,000,000. Add to that \$5,000,000 the deficit of \$4,500,000, and you have \$9,500,000, from which if you deduct the sinking fund, you will have for the current year an addition to the debt of \$7,300,000. Now, Sir, if we take the debt addition from 1896 up to the end of 1895 on this basis, it will amount to \$15,952,987. But there is this point to be considered by the House, as it will, of course, be considered by the country, that taking the three articles of glass, anthracite coal and sugar, there have been taken off by the reduction of duties in the way of glass, the removal of duties on anthracite coal and on sugar in those years, the sum of \$23,656,270. So that had the duty on glass, anthracite coal and sugar been kept exactly as it was in 1890—or in the case of anthracite coal the duty which was removed a few years earlier—the account would stand thus: that the people would have paid into the treasury \$23,656,270 of taxation, which would have extinguished the debt addition of \$15,952,987, and left seven and three-quarter millions as available to decrease the public debt. I say, Sir, without fear of successful contradiction, that you cannot find an example in the history of a modern country where, in five years, so large a reduction and removal of taxation has taken place as has taken place in the Dominion of Canada since the year 1890.

Mr. MILLS (Bothwell). What a calamity.

Mr. FOSTER. I hope my hon. friend will not treat this matter with levity.

Mr. MILLS (Bothwell). The public will not.

Mr. FOSTER. No, I am quite sure the public will not; the public will appreciate the statement that is now being made.

THE POSITION OF CANADA.

There are some considerations which, at this stage, I wish briefly to present to the House as to the general condition of the country in the year which has passed, and for better comparison, in the series of years that has passed, during which we may be said to have been passing through a period of de-

pression in trade and in industry. I do that for two reasons: in the first place, for the sake of having a true and clear conception of what has actually been the results; and in the second place, of setting that true and clear conception against what is given throughout the country in the arguments of hon. gentlemen opposed to us, as being indications of a period of distress arising from a bad trade policy, and bad government management, such as Canada has never before, in their own words, experienced or passed through.

AS TO ITS CREDIT.

Sir, one of the very best indications of the condition of a country is the position that its credit takes and maintains in the money markets of the world. Now, Sir, it so happens that in the very midst of the depression and demoralization of trade that has been visiting the world, and visiting Canada to a certain extent, it becomes necessary, in October, 1894, for Canada to put a loan upon the London market. That loan was put on the market in the midst of financial and trade depression which had had the effect of loading a large amount of money, an almost unprecedentedly large amount, into the vaults of London, money, Sir, which would not be tempted out of its hiding or hoarding place, except by the very best of securities, and consequently affording the best test of the condition of the securities of a country which came for a loan to that market. At a time when the colonial securities were at their lowest, when the securities of our sister colonies were very low indeed, when Canadian trade was decreasing, and our revenue was diminishing, the monthly statements to that effect being in the hands of the moneyed men in London to be read and known by all, when the value of securities was never so carefully investigated and so keenly weighed, and when good securities stood for something in the period of their best testing time, a loan was put on behalf of Canada on the British market of two and a quarter millions at 3 per cent, at a minimum of 95. What happened? This, that the tenders received for that loan were the most widely distributed and had the widest scope among real, individual, bona fide investors of any loan

that has ever been placed by Canada on the British market. No less than 566 different tenders were sent in for that loan. Although two and a quarter millions were asked for, nearly twelve millions of pounds were offered. The highest went at £99 12s. 6d. or nearly par, nearly 50 per cent of it went at £97 8s. 6d., while the average was £97 9s. 2d.; and when you take the discount and cost and calculate the rate of interest, it appears to be $3\frac{1}{2}$ per cent, the best loan that was ever placed on the British market by Canada. Now, that counts for something; and the mere recital of that fact will go further than many hours of windy declamation and strong assertion which may be indulged in by the enemies of Canada, or by its professed friends for political and party purposes.

Sir RICHARD CARTWRIGHT. The hon. gentleman has not, I believe, placed the prospectus of the loan on the Table of the House yet.

Mr. FOSTER. No, I will bring it over. A short time after that, the United States put an issue of bonds on the market, and the rate of interest which those bear and which the United States have to pay is within a fraction, in fact I think it is absolutely, $3\frac{3}{4}$ per cent, whilst the Canadian loan went on the British market at $3\frac{1}{2}$ per cent. If we look at the difference in the circumstances we may find certain reasons why the loan of the United States went at a higher rate than it otherwise might have gone; but the fact remains that a great country like the United States, putting out an issue of sixty millions of bonds, the payment of which was undoubtedly secure, have had to pay $3\frac{3}{4}$ per cent, while Canada pays but $3\frac{1}{2}$ per cent on her loan.

AS TO ITS SAVINGS.

Another evidence of the condition of Canada is to be found in its savings.

Mr. MILLS (Bothwell). Hear, hear.

Mr. FOSTER. The hon. member for Bothwell says "hear, hear." He does not believe that such is the case—he treats the idea with contempt. But when his colleague was Minister of Finance from 1874-78, he did not treat an argument like that with contempt; he put it forward as a very

strong point in favour of a better condition of affairs than some of his opponents argued as existing. The hon. gentleman thinks a great deal of Liberal traditions, of Liberal precedents and Liberal principles as they are exemplified by the present Government in Great Britain, and he has only to read the telegraphic despatches of the speech of the Chancellor of the Exchequer yesterday to find that he went into an elaborate argument to show that the position of Great Britain was not so bad as had been stated, and the argument on which he relied was the increase in the savings of the people. Without doubt it is an argument which has weight. How does that hold with respect to Canada? Simply in this way, that whilst from 1874 to 1878 there was a decrease during that period of hard times, which may be compared with the period through which we have been passing, of \$353,057, or $4\frac{1}{2}$ per cent; yet in the five corresponding years in Canada there has been an increase of \$41,271,908, or an increase of 21 per cent.

Sir RICHARD CARTWRIGHT. May I ask the Finance Minister of what the forty-one million consist? Does the hon. gentleman mean the Government Savings' Bank deposits?

Mr. FOSTER. No, I mean all the savings of the people, Post Office Savings' Bank, the Dominion Savings' Bank, savings in our chartered banks, on deposit, on call or for a fixed time, and of the District Savings' Bank of Montreal.

Mr. MILLS (Bothwell). And loan societies?

Mr. FOSTER. No, I do not include them in that comparison, although I might do so.

Mr. MILLS (Bothwell). Certainly.

AS TO FAILURES IN BUSINESS.

Mr. FOSTER. The failures are also a fair indication of the condition of the country. What do we find to be the result in Canada? In 1890 the failures for the year, according to Dun, Wiman & Co.'s report, represented liabilities of eighteen million dollars; in 1894, there were \$17,600,000, or a decrease of 2 1-5 per cent; the same authority gives the liabilities in 1874 as \$7,696,000, and in 1878 as \$23,908,000, an increase of 210 per cent. If hon. members will take a fairer

comparison, and take the average from 1874 to 1878, they will find that it was \$22,297,000, while the average from 1890 to 1894, was only \$15,690,000, there being a yearly average in excess during the period from 1874 to 1878 of \$6,500,000 as compared with the period from 1890 to 1894.

AS TO THE COURSE OF TRADE.

We can also take up the condition of trade, and I am here to say that the condition represented by the results arrived at, from a careful comparison of the course of trade in Canada during the last five or six years, is eminently favourable, and is one of which we have no reason to be otherwise than proud. Let us take the trade of last year. It shows for last year an export increase to Great Britain of \$4,500,000, to France of 100 per cent, although the amount is not very large—

Mr. LAURIER. Hear, hear.

Mr. FOSTER. Still it is an increase, and I am very sorry to find the leader of the Opposition has nothing but ridicule to pour on any attempt to increase our trade with France. Surely he must have forgotten the province from which he comes. There is an increase in exports to Germany from three-quarters of a million to two millions; there was also an increase with Spain, Italy, Belgium, Newfoundland, the West Indies, South America, China and Japan, Australasia and other countries; and the only decrease in our exports last year was to the United States, a large decrease, and to Portugal, and a very slight decrease with our trade with Holland. I say that hon. members may look over the history of our trade returns and they cannot find in any previous year a state of things showing such a universal and widely extended increase in our exports to the different countries with which we trade as is found in the statement I made of our trade of last year. As to our imports, there is an increase in our trade with Germany, Spain, Italy, Newfoundland, South America, China and Japan, and Switzerland, and remarkable to say, there is a decrease in our exports to the United States of \$8,000,000, and a decrease of imports of \$5,000,000, being \$13,000,000 in all, but which will be remedied somewhat, I have no doubt,

when the era of extremely low prices passes and the effects of lessened tariff, owing to the legislation of Congress last year, are felt. There is an increase with our trade of Germany from \$4,576,000 to \$7,887,000 in a single year, or an increase of over 72 per cent. Sir, it will be found that in 1889, which was about the time that this wave of depression commenced to flow over the world, the exports from Canada were of a value of \$89,000,000. You will find them last year one hundred and seventeen and a half millions, an increase of twenty-eight and one-half million dollars (\$28,500,000) for that period. What more? The exports last year were, by value, \$117,500,000, the largest of any year since confederation, with the exception of 1893, when they were one hundred and eighteen and a half millions (\$118,500,000), but if you take the decrease in price into consideration, it is evident and cannot be gainsaid, that the volume and bulk of exports last year was the highest since confederation. Take imports, if you please. In 1889 they amounted to one hundred and nine and a half millions (\$109,500,000); they amounted last year to one hundred and thirteen millions (\$113,000,000), an increase in the period of three and a half millions (\$3,500,000), not taking into account the decreased prices, and consequently there was an increased volume or bulk. Now, I say that the volume of trade in 1894, taking exports and imports, was as high as in any preceding year in the history of confederation, and I say that if prices had been equal to what they were five years ago even, that these trade returns of last year would be in value what they are in bulk and volume: the largest of any of the years during which the Dominion has been carrying on its business.

AS TO RAILWAYS AND SHIPPING.

There is another indication, a very good indication, the indication which is shown by the great carriers of the country. Take the railroads and the shipping, and what do we find? We find that from 1889 to 1894, the railway mileage has increased from 12,628 to 15,620, the mileage travelled from 38,800,000 to 43,700,000, the passengers carried from twelve and one-fifth millions (12,200,000) to four-

teen and a half millions (14,500,000), the tons of freight carried from eighteen millions to twenty and seven-tenths millions, and the earnings from \$42,000,000 to \$49,500,000. And comparing the earnings, the freight carried, and the passengers carried this last year with the two preceding years below which they come, they still fall short of these two years by an exceedingly small amount compared with which the decreases in the United States are far and away above the decreases that have occurred in Canada. If you take the coasting vessels and the tonnage trade of the country, what do you find as well? You find that there has been a constant increase in the tonnage of vessels in and out, exclusive of coasting. In 1890 it was 18,446,000 tons, in 1892, 18,692,000 tons, and in 1894, 20,353,000 tons. Certainly, the tonnage is increasing, and if it goes and it comes, it is fair to suppose that it is carrying backwards and forwards. If you take the tonnage of coasting vessels in and out, the same increase is shown, namely, 22,797,000 in 1890, and 26,560,000 in 1894.

AS TO CUSTOMS TAXATION.

Sir, you can take something else to show what has been operating during these five years that some look upon as a peculiar time of stress and trial in Canada.

Mr. MILLS (Bothwell). But they are deluded.

Mr. FOSTER. A good many of them are deluded. Some of them see their delusion and others are so blind that they cannot see it.

Mr. MILLS (Bothwell). The Minister sees it.

Mr. FOSTER. Yes. The per capita of Customs collection in 1888-89 was \$5.01 per head, while the per capita of Customs collection in 1893-94 was \$3.82 per head, or a reduction of \$1.19 per head of the people in the amount that they have paid for Customs comparing 1889 with 1893, and yet the imports in 1893-94 were larger than the imports in 1888-89. Taking the per cent of imports dutiable and free for home consumption, in 1888-89, it was 21.65 per cent, while in 1893-94 it has been reduced to 17.13 per cent, a decrease of $4\frac{1}{4}$

per cent in the rate of Customs impost during these years. Take the actual duties collected on \$109,673,447 of imports in 1889, namely, \$23,784,523, and take the duties collected upon the \$113,000,000 in 1893-94, which amounted to \$19,379,822, and you have a saving upon an importation larger by three and a half millions, amounting to \$4,404,701 in Customs imposts alone. That reduction has been going on in taxation. That has not been coming out of the pockets of the people, and it is due to the fact of the reductions in taxation that we made when the revenue was buoyant, and it is therefore so much remitted to the people. Take this one other consideration. If the same percentage of Customs, 21·65, which was collected in 1889-90 had been collected every year since then, there would have been paid in Customs duties \$125,112,895. As it is, there was paid in \$108,588,092, leaving a saving to the people of \$16,524,803 by the reduction in the tax rate from 21·65 to 17·13.

SUMMARY OF ABOVE.

Taking leave of this, which I call the absolute view of the condition of Canada, let me summarize it in brief in this way. In five years the imports have increased in value by \$3,500,000, and they have increased in volume by a large amount, of course, owing to the decrease in value. The exports have increased in value by \$28,000,000, and in volume, of course, much more, and are in 1894, as I said, the highest in value since confederation, with the exception of 1893, and the highest in volume of any year in our history. We have net surpluses during that period from 1890 to 1894-95 of \$7,476,843. We have taken off taxation on sugar alone, \$14,000,000; we have taken off taxation on two other articles to the amount of three and three-quarter million dollars, and we have taken off a large amount on items generally in the tariff, the revision of which took place last year. We have increased the debt by \$8,600,000. The interest on the public debt, however, has been increased by only \$100,000, I mean the net interest; while the per capita net interest has fallen from \$1.86 to \$1.79. No banks have fallen in that period in Canada through the stress of hard times, not one. Our industries have been well

maintained. Want and poverty have been practically unknown in Canada, and comparatively the Canadian people have out-ridden the storm with vessel less battered and sails less tattered than any other country in the world. And in the very midst of the financial and business tempest, Canada ran her flag of credit in the very centre of London up to the very highest notch from which it has been unfurled from the time the Canadian provinces united. The tide, I believe, has now turned. Prices are recovering, confidence is growing, trade is increasing, the demand of the consumer is strengthening, revenue is beginning to mend, as I have pointed out; and working on her well laid basis of rich and varied resources; with the wide facilities for transport with which Canada is splendidly equipped, with a sound fiscal policy, a careful, prudent, financial management, Canada is to-day emerging from the temporary and not very dark clouds of depression into a brightness of prosperity which shall surely surpass any period in her previous history.

TRADE COMPARISON WITH OTHER COUNTRIES.

Now, Sir, there is another view which may be taken of trade. You may look on this matter relatively. You may compare Canada with other countries of the world—and let me ask your attention while I do that, very briefly. If you look over the great trading countries of the world—Great Britain, France, the United States, the Australian colonies—what has been the history of their trading during these five or six years of which I have been speaking? Briefly, it is this; Great Britain's exports of domestic manufactures in 1890 amounted to £263,530,585; they have steadily decreased, until, in 1894, they amounted to £216,194,239, a falling off of £47,336,346, or \$230,370,217. The imports into Great Britain have fallen off from £420,691,997, in 1890, to £408,505,718, in 1894, a fall of £12,186,279, or, in round numbers, \$60,000,000. The exports of France have fallen in the same period from £150,136,000 to £131,001,000; and those of Germany have fallen from £166,405,000 to £158,000,000. The exports of the United States have fallen from \$1,015,732,011, in 1892, to \$869,204,937 in 1894; and the exports of the Australian colonies have fallen from £72,500,000, in 1891, to

£65,000,000, in 1893. The imports of France have fallen from £177,476,000, in 1890, to £164,779,000, in 1894; those of Germany have fallen from £208,105,000, in 1890, to £198,000,000, in 1893; those of the United States have fallen from \$827,402,462, in 1892, to \$654,994,622, in 1894; and those of the Australian colonies have fallen from £72,000,000, in 1891, to £53,000,000, in 1893. Reduce these figures to percentages, and you have this surprising fact: That in Great Britain the decrease in exports from 1890 to 1894 has been 18 per cent; in France, 13 per cent; in Germany, 5 per cent; in the United States, 15 per cent; and in Australasia, 10 per cent; while, in the same time, the exports of Canada have increased 22 per cent. The imports of Great Britain have fallen off 3 per cent; those of France have fallen off 7 per cent; those of Germany have increased 2 per cent; those of the United States have fallen 21 per cent; and those of Australasia have fallen 26 per cent; while the imports of Canada as to value, are exactly where they were in 1890.

CANADA IN 1874-78 COMPARED WITH 1889-94.

There is another point of view which we may take—that is, to compare Canada with herself, which is a more satisfactory comparison, so far as the truth goes, though it may not be so pleasant to all of us. From 1874 to 1878 there was a period of acknowledged depression in this country. It has often been spoken about since that time. It has formed a subject of comment from many a hustings and platform, and has been written upon occasionally by the editors of newspapers. But, of late, one set of speakers, and one set of newspaper editors have begun to say and to write that the period from 1890 to 1894, in depression and hard times, and general badness in Canada, far eclipses the period from 1874 to 1878. Let us go to the law and the testimony. In April, 1874, the Finance Minister of that time made his Budget speech in this House, standing about where I do. In that speech, looking back and taking leave of 1872-73, he spoke of it as “the last year of plenty,” with a surplus of \$1,600,000. Of 1873-74, in the midst of which he stood, he said:

We have stood still, but we have not retrograded. Although we may fairly expect that our people will grow rapidly in wealth, we cannot look for any great increase in their numbers. To avoid serious deficits, a very large amount of additional taxes will be necessary.

He provided for \$3,000,000 additional taxation, and in that year, 1873-74, his expenditure went up by about \$4,000,000.

Sir RICHARD CARTWRIGHT. No.

Mr. FOSTER. He says he was not responsible for it; but that is what the Public Accounts show. His additional \$3,000,000 of taxes brought his surplus down from \$1,600,000 to \$888,775, in the year 1873-74, and to \$935,644, in 1874-75. His capital expenditure amounted to \$10,000,000, and his addition to the debt to \$8,476,502, in 1873-74, and to \$7,683,000, in 1874-75, and his trade fell \$17,000,000. In February, 1875, he made his second Budget speech. He dandled his diminishing surplus upon his financial knees, and prophesied that next year it would be no smaller. He excused the falling imports by proving that diminution was not retrogression—a fact which he must bear in mind at present. He comforted commercial men by hoping that they would find “new fields of trade which would partially compensate them for that which we have for the present failed to obtain from our friends on the other side of the line.” In February, 1876, he spoke again, commencing by saying:

It would be both idle and dishonest on my part to attempt to conceal from the House that the circumstances under which we meet are such as to deserve our very gravest consideration. It is, unfortunately, too true that we are now passing, and have been passing for several months, through a commercial crisis of great and almost unparalleled severity. * * * There are cases of great hardship existing in the country.

We were, he said, in the midst of “a commercial squall or tornado, if you will”—\$20,000,000 less trade for the previous year; \$700,000 more expenditure imminent; face to face with a greater fallen trade, a greater loss in revenue, and a greater increase of expenditure. He could only console himself with the comforting intimation that though “depression has overtaken the manufacturing and commercial interests of the country,” yet shrinkage in value was a matter which it was impossible “for him or any other Finance Minister to guard against in advance”; and that “as they

(the people) get better bargains for their money than before, it is, on the whole, an advantage, and not an injury to the people"; and, therefore, that "what is bad for the revenue is, on the whole, good for the country." Driven by his opponents as to his trade policy, he declared :

It does not matter whether your market is four millions or forty millions or four hundred millions, over-production will always produce distress. Nor does it much matter for that particular purpose whether free trade or protection is the policy.

And with these excuses, and these platitudes, he marched on to the doleful tune of a two-million deficit, a twenty-seven million drop in trade, a three-quarter of a million increase in expenditure, and an eight and a half million addition to the debt. In February, 1877, he came to the front again, and declared "that the year 1875-76 was one of an exceedingly critical character, which would be long remembered in our financial history." Well it might be. Trade was diminishing, and went on to diminish. Revenue was decreasing, and gave no hope or anticipation of rising again. The only things that were rising were the taxes and the debt, and they were rising with dizzy rapidity. Still, the Finance Minister at that time was hopeful. He pitched his song to a cheerful key, and said "there was good reason for supposing that we had seen probably the last of the depression." He marshalled the facts of increased circulation, deposits in the savings banks, life insurance growth, exports, and the consumption of sugar and tea, as being reasons why the country was not in so bad a condition after all. He then praised his loan, bearing four per cent interest, issued at ninety-one and costing 4.75 per cent, laid on further taxation of about half a million dollars, ventured the prediction that the ship of state was weathering the storm, and drawing moderately close to clear water, and proceeded to bask in the after-glow of past deficits, and to warm himself by anticipation in the coming effulgence of the one and a half million deficit that was dawning upon him. In 1878 he opened with a financial jeremiad such as had never before been, and never again will, I hope, be indulged in by a Finance Minister.

It is nearly four years since, as Minister of Finance, it became my unpleasant duty to point out to the House the grave financial difficulties which beset our position, and the necessity of submitting to considerably increased taxation if desired to provide for the liabilities we had incurred. Unhappily, grave as were the forebodings I then expressed the depression which actually took place surpassed the extent of that upon which I had calculated. It is not often in the commercial history of any country that we are called upon to chronicle so great a reduction not merely in the total volume of our trade, but also in the revenue derived therefrom, as we have seen within the last two or three years.

He declared that the volume of trade had been reduced by \$50,000,000, and the customs revenue by \$3,000,000. But, worse than that, he declared that the natural growth of trade has been retarded \$30,000,000 to \$40,000,000 more and the revenue correspondingly ; and when he again gave notice of a deficit, and when his announcement was greeted by laughter and smiles from more than one in the Chamber, he rebuked them with great gravity for their unseemly levity in smiling at the mention of a deficit. That is the picture, as painted by the Finance Minister of that period himself, from 1874 to 1878. He announced the deficit of one and a half millions for the year 1876-77, an addition to the debt of \$8,700,000, and laid down the weapons of his warfare in 1878, with a deficit of over a million in esse and another of nearly two millions in prospect, with expenditure increased by one million and the debt by another seven millions. After all I have quoted, we may hope that now, when we have just passed through a commercial depression, but one which, I contend, was not so severe—

Mr. MILLS (Bothwell). Passed through ?

Mr. FOSTER—Yes, for I believe firmly we have passed through that depression and turned the corner, and that from this time on, affairs will mend. I do not give my own authority alone for that. Not at all. But there is not a financial paper in the United States, there is not a responsible newspaper in Canada, commercial or otherwise, which does not every day contain editorials and statements in its news and financial columns, giving exactly the same forecast and prediction. To sum the whole matter up, and I put it in the form of a table which can be easily used for ready reference, take the two periods of 1874-79 and 1889-94 :

1874-79.		1889-94.	
Exports fell	\$ 18,000,000	Exports rose	\$ 28,000,000
Imports (H. C.) fell.....	46,000,000	Imports (H. C.) rose.....	3,500,000
Decreased duty collected	1,500,000	Decreased duty collected	4,400,000
Taxes increased by tariff	1,500,000	Taxes decreased by tariff	6,000,000
Percentage of duty increased.....	4 p.c.	Percentage of duty decreased.....	4.5 p.c.
Debt increased	40,000,000	Debt increased	8,650,000
Net interest on public debt increased.	1,500,000	Net interest of debt increased	100,000
Net per capita interest increased....	\$1.34 to \$1.59	Net per capita interest decreased....	\$1.86 to \$1.79
Credit, index per loan at 4 p.c.....	4.75	Credit, index per last loan at 3 p.c..	3.16
Net deficits.....	5,500,000	Net surplus	7,500,000
Average of failures	22,100,000	Average of failures	15,500,000
Increase in failures, liabilities.....	210 p.c.	Decrease in failures, liabilities.....	2½ p.c.
Remission of taxes	Nil.	Remission of taxes : sugar, coal, glass	18,000,000
Savings decreased	4.5 p.c.	Savings increased	40 p.c.

After taking discounts, commission, and all charges into account, Sir Richard put upon the market in London a loan at a net rate of interest of 4.75, which the country has been paying ever since. The last credit loan marks for the second period, 3.16 per cent. The net deficits in the first period, was five and a half million dollars; the net surplus of the second period is seven and a half million dollars. The average failures in the first period amounted to twenty-two and one-fifth million dollars, and in the second period, fifteen and one-half million dollars. The increase in failures and liabilities on account of failures, in the first period, was 210 per cent; the decrease in the second period was 2½ per cent. The savings decreased 4½ per cent in the first period, and increased 40 per cent in the second period. There was no remission of duties in the first period, but a constant laying on of burdens. In the second period, the remission on coal and sugar and glass amounts to \$18,000,000.

CANADA'S DEBT.

Now, I shall ask the attention of the House for a moment to the position of our debt, and I wish to put on record a simple and brief statement, so that any one who reads that statement may not fall into the error that the whole of the debt, as it exists to-day, has been incurred by the Dominion for Dominion purposes, and I wish as well to show briefly the purposes for which the debt has been incurred. There was assumed for the four provinces, in 1867, \$77,500,000 of debt. There has been assumed for the provinces, since—and that is something with which nobody quarrels, because it is a subsidy to the provinces to

help the provincial governments to carry on their legislation, relieved them of the necessity of imposing heavier taxes—there has been assumed since then an additional debt of \$31,930,148, making a total of \$109,430,148 assumed on behalf of the provinces. The total net debt on 30th June, 1894, amounts to \$246,183,029. Deducting from this the amount assumed for the provinces, and you have a net Dominion debt, from 1867 to date, incurred by the Dominion for Dominion purposes, amounting to \$136,752,881. This gives a yearly average of a little over five million dollars. What have we to set against that? Upon the Intercolonial, more than 1,000 miles in length, the capital expenditure has been \$44,966,424. On our canals, the great waterway and artery of the central part of this Dominion, at the expenditure on which nobody cavils—nobody would be content as a Canadian if these canals did not exist, and if they were not deepened and improved to suit the needs of commerce—on our canals we have expended \$41,709,038. And the Canadian Pacific Railway, which was reviled and abused and looked upon as the most desperate scheme that sensible men ever conceived and placed before a body of legislators, but which has approved itself, which has shown its utility, which has established its essential necessity to this country, so that to-day you can find no two opinions as to the advisability of completing that road and as to the wisdom of the policy of constructing it—upon that work we expended in capital \$62,604,535. This makes a total of \$149,279,997. That is to say, on these three works alone, the commercial arteries and veins of this country, we have expended \$12,527,116 more than the whole debt created by this country since confederation, outside of provincial allowances. Besides

that we have the Dominion lands opened up. We have the public works that have been built, we have the parliament and public buildings; we have the Prince Edward Island Railway; we have the Northwest Territories purchased and opened up and other services and works representing in connection with railways and canals, a grand total of capital expenditure of \$166,369,288. Thus you will find that \$28,616,407 more than has been added to the Dominion debt has been expended on capital account for the services of this country. Now, Sir, that is a plain statement of the debt as it stands, and, taking that into account and the assets, the first three items that I have mentioned, if there were no more, there is sufficient justification for the assumption and maintenance of a net debt of \$137,000,000. When you come to another view of the case there is something more to be said. If you will take the actual interest, you will find that whereas in 1868 we paid 4.51 per cent, in 1894 we paid 2.91 per cent. The net interest paid per head, 1868, was \$1.29; in 1873 it was \$1.31; in 1878 it was \$1.58; in 1889, \$1.86; and in 1894 it was \$1.79, or 7 cents less than in 1889. The cheapening of money, the lowering of the rate of interest makes the burden of the debt smaller in proportion to the size of the debt, so that at the present time, with our credit, we can carry almost twice the amount of debt that we could have carried in 1867, and have the per capita burden no more. The net interest paid in 1888-9 was \$8,843,539, and in 1894, \$8,994,788, only about \$100,000 of an increase.

CANADA'S OBLIGATIONS.

Standing at this point and looking out upon the future, we are confronted with out upon the future, we are confronted with certain obligations and we should not be fair to ourselves, if in making a financial statement we did not include these obligations. I propose to do so. We have obligations current to the amount of \$6,543,400; being in the shape of subsidies to the International Railway Company, to the Qu'Appelle and Long Lake Railway Company, to the Calgary and Edmonton Railway Company, to the China and Japan Service Steamships, and to the Australian Service Steam-

ships, which are provided for by yearly appropriation and which amount to \$6,543,400. We have railway subsidies under contract of \$2,257,059; also railway subsidies granted, but not under contract, which the department tells me will probably come under contract, amounting to \$2,587,257. Then, to finish the St. Lawrence Canal system, widening and deepening the canal according to the demands presented by the Minister the other day, we must spend \$6,000,000. But as I am taking this from the 1st of July, 1895, I estimate that \$5,000,000 will have to be spent after that time. These canals must be finished independent of any consideration of the party in power, as this work is a part of the policy of both parties. This makes a total of these liabilities of \$9,844,316. These are liabilities that are current or probable. Now, Sir, that makes outside of what has been and will be provided for in the yearly appropriations, \$9,844,316, which will accrue within a period of years not very far distant—within three, four or five years at the farthest. Taking it at four years, that gives an expenditure of \$2,461,000 per year on capital account, or very little more than the amount we lay up out of consolidated revenue to make a sinking fund as against the public debt. There is also a subsidy by special Act to the Kingston, Smith's Falls and Ottawa Railway of \$250,680, and a transport subsidy to the Hudson Bay Railroad \$1,600,000. These fall in the list of contingent liabilities, which, when they accrue will be charged to railway subsidy account. Besides these there is the statutory provision for the Fast Atlantic Service, which, however, when the liability accrues, must be satisfied from consolidated revenue fund, assisted, if necessary, by economies in other services, and which, therefore, will not necessitate a call upon capital, occupying as it will a similar position to the China and Japan and the Australian services. And what I desire to do, what I think it good policy to do, what I am going to strive as earnestly as I can to do, is this: to make the revenue cover current expenses and to bring the capital expenditure, over and above the consolidated revenue surplus, if there be any, to be equal to or not greater than the yearly sinking fund, which, while it will allow a capital expenditure of not less than \$2,500,000 from this on,

would not increase the debt a single dollar. If that policy can be carried out—and I believe it can be, and that with a generous appropriation as well to the public services—we shall occupy a position which, instead of causing fear, instead of being used to frighten the people of the country into panicky political action, is solid and stable, and one into which any financial man looking dispassionately would say was sound, and clean, and healthy from the point of view of the financial investigator.

REVENUE AND EXPENDITURE, 1895-96.

Now, Sir, we come to another point, the revenue and expenditure for 1895-96. The revenue for 1894-95, as actually accrued and estimated to accrue will be say \$33,800,000. The estimated betterment of revenue for 1895-96—and this is proof of my faith in better times, and I do not think it can be called other than a fair, conservative estimate—is \$1,200,000. That is, on the taxation as it exists to-day. That would make a revenue for 1895-96 of \$35,000,000. Now, Sir, when—

Sir RICHARD CARTWRIGHT. You had better divide that last amount, as is customary. State what amount is expected from Customs, and what amount from Excise.

Mr. FOSTER. I have simply lumped the amount, and have not with me the figures of the three items of which this is the total. The Estimates for 1895-96 have been laid before the House. It was the desire of the Government, a desire, I think, which they shared cordially and unitedly that so far as possible under the present condition of things, and until an equilibrium could be established between revenue and expenditure, the expenditures for the coming year should be cut down to as low a point as possible under the present condition of things, consistent with the efficiency of the public service. Now, Sir, an investigation of those estimates will show that there are certain estimates which are statutory, and which we do not vote, and consequently which we cannot change. There are others which we control, such as the revenue collecting branch, but which is only controllable to a certain limited extent, because, if you collect customs, collect excise, collect post office fees, collect

fares on your railways and canals, you have to maintain those services in a state of efficiency equal to the advancing needs of the times; so that though you may prune somewhat on those services, they are a set of services which are not under very lively control by the Minister of Finance, or by the Government to any great degree of curtailment. Now, that class of services taken out, and the fixed charges taken out, there is left at the present time not a very large amount for the pruning-knife, and even there you have to be very careful as to how you exercise your economies in order not to destroy or cripple services which are necessary for the country. How is it to-day? For interest on debt, for charges of management, for sinking fund and for Dominion subsidies, which are beyond our control, there is an estimate for the year 1895-96 of \$17,131,855. For the collection of the revenue there is an estimate of \$9,378,313, and that is a decided cut upon the expenditure of last year, making \$26,510,168 for those two sets of charges. That leaves you about 10 or 11 millions of leeway, on expenditures which you may say are controllable. Now, with reference to those, a glance at the Estimates will show that there have been increases in not a single one of them, with the exception of Trade and Commerce, which is an infant department, and even with the slight increase that it has had this year, that department has not grown to undue proportions so far as its clerical work is concerned. Well, Sir, outside of that, Penitentiaries have been cut down \$36,000—I am reading round figures—Civil Government, taking into account even the large increase of statutory allowances, has been cut down \$30,000; Legislation, \$200,000; Arts and Agriculture, \$3,400; Quarantine, \$33,000; Immigration, \$70,000; Pensions, \$814; Militia, \$263,398; Railways and Canals, \$183,058; Public Works, \$875,325. In the item of public works we have for a number of years been expending on an average about \$2,000,000 per year. When the revenue was buoyant and the treasury was full, we were generous in our appropriations for the public works of the country; and the history of this Government during the time it has been in power since 1878, will show, I think, on the whole, a broad-minded and generous sustenance of the

public works of the country, and a disposition to aid them so far as it could possibly be done. My hon. friends smile when there is a little talk about public works, but if I have a memory which is at all to be relied upon, I think, when my hon. friend the leader of the Opposition, accompanied by my hon. and stalwart friend from Nova Scotia, and my hon. and only a little less stalwart friend from Lincoln (Mr. Gibson) and one or two others, made a pilgrimage through the North-west and British Columbia, there was no stopping place at which they did not regale the ears of those who were eager to hear them, with the question: Is there any place around here in need of public work? and if the reply was in the affirmative, then the people were told, I think you ought to have it, and if the Liberal party gets in, you may look to be fairly treated. On Mail Subsidies there has been a reduction of \$32,000; Ocean and River Service, \$57,000; Lighthouse and Coast, \$67,000; Fisheries, \$20,000; Geological Survey, \$15,000; Indians, \$85,000; Mounted Police, \$155,000.

Mr. MILLS (Bothwell). How is that saving effected?

Mr. FOSTER. It is effected by a reduction of the force, a reduction that will not affect the efficiency of the force so far as the legitimate needs of the country are concerned. The reduction has been rendered possible in two ways: in the first place, the cost of living is constantly decreasing. Years ago when the beef supplies and the like of that had to be taken long distances, the cost was large. Now all this is raised in the country itself, and the cost therefore has diminished. The force is well managed, and the number of men which, up to this time, has been in the neighbourhood of 900, it is proposed to reduce by a number sufficient to bring down the yearly expenditure to the sum which is mentioned in the Estimates. There will still be left a force, I think,—I speak under correction—of about 700 men, and armed as they never were before, with improved rifles and Maxim guns, which makes a smaller force much more effective than even a larger force was without those arms.

Sir RICHARD CARTWRIGHT. I did not observe an explanation of the reduction on militia.

Mr. FOSTER. That would probably come better on the Estimates when the Minister himself is here. I read the amount, \$263,000. In Customs collection there is a reduction of \$50,000; Excise, \$21,000; Culling Timber, \$25,000; Railways and Canals, \$21,000; Post Office, \$18,000; Dominion lands, \$20,000; making a reduction in the Estimates this year, compared with the Estimates as voted last year, of \$2,387,648. Now, on the statutes arising from causes that I have mentioned, increased interest on the public debt and management of the debt being the chief one, and the subsidies to provinces, there is an increase of \$697,722.

Mr. MILLS (Bothwell). Is the land board at Winnipeg abolished?

Mr. FOSTER. We do not abolish the land board at Winnipeg, but we introduce economy into it, and lessen the expenses of the board of management. We have, therefore, a net decrease of \$1,600,000, on a total estimate of expenditures, statutory, fixed and controllable, which is as far as the Government felt it possible to go and keep the services on a footing of efficiency. In some of these there can, I think, be very little if any more reduction. It is possible that in some of them a still further reduction might take place. In the item of Civil Government, I have no hesitation in saying that the expenditure is pretty large. We have reduced that this year by a considerable amount, and I am sure I am not speaking beyond the book, when I say that it is the intention of the Government thoroughly to look into the matter, and to make economies where it is possible to make them as regards civil government.

Sir RICHARD CARTWRIGHT. I want to remind the hon. gentleman, before he goes to another subject, that he promised to state what Supplementary Estimates would be required for the service of the present year. He promised, in fact, to bring them down.

Mr. FOSTER. I did.

Sir RICHARD CARTWRIGHT. It would be better, before he goes off the Estimates, to let us know what they are.

Mr. FOSTER. I cannot tell my hon. friend what they are, but I have made my estimate for the expenditure of this year

on the basis of the Estimates that we shall provide.

Sir RICHARD CARTWRIGHT. You promised it.

Mr. FOSTER. Well, I promised it, but I cannot do everything in a few days.

Sir RICHARD CARTWRIGHT. Promise is one thing and performance is another.

Mr. LANDERKIN. Then, I understand, there will be Supplementary Estimates in connection with next year?

Mr. FOSTER. I have already stated that there would not be any. Coming back to the revenue and expenditure for 1895-96, I have stated that the revenue expected was \$35,000,000; the estimate of expenditure is placed at \$36,834,458. It is not the rule that the actual expenditure comes up to the full limit of the Estimates voted, and I have given myself a little leeway in the estimate of expenditure for the next year, which I have placed at \$36,700,000. With a revenue of \$35,000,000 and an expenditure of \$36,700,000, there will be a deficit on the operation, of \$1,700,000.

EQUILIBRIUM TO BE MAINTAINED.

Now, while it is true that during the past year, whilst the brunt and stress of the depression was sustained by the country, whilst business had everything it could do to struggle manfully, as it did, and fairly successfully with its disadvantages, whilst the people themselves were economizing, it was not thought wise to do anything to add to the burden of the times by imposing increased taxation. And so, as regards the deficit of the past year, and the deficit of the present year, a larger one, it was not proposed, and is not proposed, to replace it by exacting additional taxes from the people. But it becomes a different matter when, having had two deficits and starting out upon the year in advance, with the turn in the tide and the betterment which is visible, I think, on all sides, it becomes a different matter, I say, and a subject for very close and careful consideration whether it is advisable, in point of good financial management, in point of keeping intact the credit of the country, which above all things we must maintain, and keep it up to the present high standard—it becomes a grave question

for consideration whether we should go out into another year facing a large or even a considerable deficit. The Government has considered that question, and it has come to the conclusion that it is not the wisest thing to do; that what we have to do as a Government, that what we must do as a House, and in that course we must presume that the country will sustain us, is to establish an equilibrium between expenditure and income, to establish an equilibrium between expenditure and income in the easiest way we can possibly accomplish it, and do it for the sake of benefiting the finances of the country in the future, as the maintenance of our credit is of far-reaching consequence. When the revenues were buoyant and we had large surpluses, this Government dealt with the services of the country generously, and many say lavishly, but that we dealt with the services of the country generously nobody can deny. The Government had surpluses of revenue, and they said, We will carry on the services of the country, but at the same time out of those buoyant revenues we will relieve the people from a portion of the taxation. And they did it. In 1890 and 1891 the tax on raw sugar, as we in the House well know, was taken off, and that benefit was conferred on the people of the country, a benefit which will fully appear when I read the figures of the imports since that time, and make a calculation of what would have accrued at that rate of duty. In 1891, under the new tariff, there were imported fourteen million odd pounds of sugar, the duty on which, taking an average of the old rate, would have been \$227,474; in 1892 the quantity was 327,000,000 pounds, the duty on which would have been \$5,200,000; in 1893 the quantity was 252,500,000 pounds, the duty on which would have been \$4,000,000; in 1894 the quantity was 303,000,000 pounds, the duty on which would have been \$4,821,000; in 1895 the actual import and the estimated receipts on the same basis would have shown, imports, 310,000,000 pounds, the duty on which at the old rate would have been \$4,919,700. That relates to the article of sugar alone, the tax on which was paid certainly out of the consumers' pockets, it being a tax not on an article grown in the country, but on

a raw product brought in, the tax on which must be paid by the consumer of the article. If hon. members will add these items together, they will find that the remission of sugar taxation in those years, including the current year, aggregates \$19,175,333. Some one may fairly say, that if the duty had remained at the old rate, there would not have been so large an importation. Cutting off whatever proportion you please, you will still have an amount of from \$15,000,000 to \$19,000,000 removed from the people's shoulders. This has been operative during the time when we had surplus, and also during the time when the people, especially during the past two years, having been passing through a period of depression, and what have been called hard times in Canada. Now, Mr. Speaker, the country, I think, will not quarrel with the Government if, when the time has come when we think it best for the credit of the country and its general good, to secure an equilibrium between expenditure and revenue, when we show our bona fides by cutting down the controllable expenditure of the country to the extent of \$2,400,000, and we have just done our duty in that regard—I think the country will not complain, and this House will not complain, if we ask the people in the year that is to come not to pay back to us an equivalent of the old rate of duty on sugar, but to give us one-third of the amount of duty placed on it before 1891, thus securing to the people a remission of two-thirds of the taxation on sugar for the future, and asking them simply for a return equivalent to one-third of the old impost. So it is proposed to place one-half cent per pound on raw sugar, and to increase the protection upon refined sugar and the articles into which sugar largely enters proportionately, and only proportionately, to the increased tax of half a cent on raw sugar. That on the imports which will probably come into the country this year will give \$1,200,000 or \$1,250,000. That is not quite all we want. We must be careful if we are going to place taxes on the people for the avowed purpose of filling up the gap between revenue and expenditure, not to make the mistake which my hon. friend opposite made, when he put on a

large taxation, but yet did not fill the gap. We must add enough to restore the equilibrium, we must be sure that it will be enough, and we must take a little more than we estimate at the present time to be enough in order to be certain that what we propose to do shall be fully and thoroughly done. So that a little more is necessary, and I propose to impose a slight additional tax upon distilled spirits. The excise duty on distilled spirits is now \$1.50 per gallon, and I propose to add 20 per cent per gallon, thus making the excise duty \$1.70. The Customs duty on spirits is now \$2.12½ per gallon, and I propose to make that \$2.25, an increase of 12½ cents. That, I think, will bring into the revenue about \$500,000 or \$600,000, which will give us \$1,700,000 or \$1,800,000 increased revenue. This will, under the estimate I have prepared and submitted to the House, fill up the gap, restore the equilibrium, and bring us out at the end of next year with a clean sheet, and if times improve fairly well, may bring us out a little to the good, which certainly will not be deplored by the country. To show the bona fides of the Government in doing their share, and of this House in submitting to its share of the betterment, not only have two and a half millions of dollars been taken from the controllable estimates of the country for the year, but we propose as well to intermit for the succeeding year what we have been in the habit of giving with a generous hand namely, the aid by way of mileage subsidies to railways to be constructed. From 1884, when the policy was first adopted, until the present time we have expended over \$12,000,000 in payments for these railway subsidies; that is an average of about \$1,200,000 per year. There are these running and current which I have spoken of, which we will gradually wipe off the slate; but for the coming year it is felt that it would be imprudent to add to the list of our liabilities by bringing down any railway subsidy Bill granting mileage subsidies for the construction of railways in the country. These then, briefly, sum up the position which the Government assumes, and the action which it recommends to this House, an action which it believes is dictated by prudence and by a desire not

to overburden the country, but at the same time to keep its public services well supplied, public services which in a time like this, with our first-rate equipment and first-rate facilities, we may fairly dispense with increasing for a year or two, while times are as they are. I desire, Mr. Speaker, to thank you and the House very heartily for the forbearance with which you have listened to my rather long exposition. I have here the resolutions, they have just been put into my hands, and I would rather revise them before I definitely lay them upon the Table.

Sir RICHARD CARTWRIGHT. Very well; you can lay them on the Table at eight o'clock. We will call it six o'clock now.

It being six o'clock, the Speaker left the Chair.

After Recess.

WAYS AND MEANS.

Mr. FOSTER. Mr. Speaker, all that I shall have to do at the present time is simply to mention the resolutions which I propose to place before the committee. As I intimated in the remarks I made this afternoon, there is to be imposed and levied on distilled spirits an additional excise duty of 20 cents per gallon, and the first resolution makes provision for that.

Sir RICHARD CARTWRIGHT. Have you got the resolutions printed?

Mr. FOSTER. They are in type-writing, not printed. The second resolution simply repeals the sections of the present Tariff Act which are to be rearranged. Then follow the resolutions with reference to the addition of 12½ cents per gallon on imported spirituous liquors. Then, there are a certain number of articles into which sugar enters more or less largely. As the duty

is increased upon sugar, it becomes necessary to make a corresponding adjustment with reference to these; and, as nearly as possible, I have made just the proportional increase. Condensed milk, which was 3 cents a pound, will be 3¼ cents. Condensed coffee, and such like goods, will be 35 per cent instead of 30 per cent. Sweetened biscuits, which were 25 per cent, will be 27½ per cent. Fruits, which were 2 cents a pound, will be 2¼ cents. Fruits, preserved in brandy or in spirits, which were \$1.90, will be \$2.00. Paints and colours, ground in spirits, and spirit varnish and lacquers, which were \$1, will be \$1.12½. Jellies, jams, and preserves, which were 3 cents, will be 3¼ cents. All sugar, above sixteen Dutch standard in colour, and all refined sugars, will be 1 14-100 cent a pound. Sugar not above sixteen Dutch standard, will be ½ cent a pound. Glucose, or grape sugar, which is 1 cent a pound, becomes 1¼ cent. Sugar candy, and sweet things, which were 35 per cent, become ½ cent a pound, and 35 per cent. Syrups and molasses of all kinds, which were ½ cent a pound, become ¾ cent. Molasses, which was 1½ cent a gallon at the standard test, becomes 1¾ cent. Then follows a resolution with reference to beet root sugar. For several years before the abolition of the sugar duties we had operations carried on in beet root sugar making; and when the duty was removed from raw sugar, a bounty, equivalent to nearly 2 cents a pound, about the equivalent of the duty on raw sugar, which was taken off, was granted to beet root sugar, and that has been continued from time to time. It is proposed to continue that for two years; but, instead of giving 2 cents a pound bounty, it is proposed now to give 1 cent a pound by way of bounty, and ½ cent by way of duty, making the total aid to the beet root industry, 1½ cents a pound.

INDEX.

	Page.
Course of Trade .. .	11
Credit of Canada .. .	10
Customs taxation .. .	12
Debt, the public .. .	7
Debt, the public, for what purposes incurred .. .	16
Duties on Sugar and Spirits .. .	21
Expenditure, 1893-94 .. .	5
Expenditure on Capital Account .. .	7
Failures in business .. .	11
Financial position of Canada .. .	9-13
Obligations of Canada .. .	17
Railways and Shipping .. .	12
Revenue, 1893-94 .. .	3
Revenue and Expenditure, 1894-95 .. .	8
" " 1895-96 .. .	18
Savings, increase of .. .	10
Trade comparison between 1874-79 and 1889-94 .. .	14-16
Trade comparison with other countries .. .	13

